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Associated Press

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Syrian Jet Near Beirut

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Reagan to Impose Limited Sanctions On British Firm

Soviets to Meet Goal, CIA Analysis Finds

By Dan Morgan
Washington Post Staff Writer

A classified memorandum prepared by the Central Intelligence Agency in August concluded that the Soviet Union will meet its gas delivery commitments to Western Europe "through the 1980s," despite the Reagan administration's efforts to delay construction of the Siberian pipeline.

The memorandum, classified "secret" but circulated widely in the government, undercuts a central administration argument that the sanctions, divisive as they are proving to be within the Atlantic Alliance, eventually will pay off by depriving the Kremlin of western currency needed to support its lagging economy and its military buildup.

For this reason, middle-level officials at the National Security Council, and the State, Defense and Commerce departments are reported to have challenged the CIA conclusions and pressed for a Special National Intelligence Estimate, or "SNIE," of the issue by the entire U.S. intelligence community.

The interagency critique of the CIA memo was reviewed last week by State Department counselor James L. Buckley and sent to the National Security Council. NSC of-

Six Turbines Readied For Siberian Pipeline

By Lou Cannon
Washington Post Staff Writer

SANTA BARBARA, Calif., Aug. 31—The Reagan administration has decided to impose limited sanctions against a British engineering firm when six turbines it made in Britain with U.S. components are shipped to the Soviet Union for use in the natural gas pipeline from Siberia to Western Europe, senior officials said today.

The first of the six turbines manufactured in Britain by John Brown Engineering Ltd. with U.S.-made rotors were loaded onto a Soviet freighter in Glasgow, Scotland, today in defiance of President Reagan's anti-pipeline embargo. U.S. officials said the administration is likely to act against John Brown when the ship sails later this week.

But the senior officials said John Brown would be blacklisted only from importing U.S. oil and gas equipment and technology. This would allow the diversified British company to import other American goods and services, including much of what is manufactured by various engineering subsidiaries owned by John Brown in the United States.

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See LEBANON, A14, Col. 4

U.S. aid for war-torn Lebanon [illegible]aches $95 million. *Page A15*

JOHN F. LEHMAN JR. . . . "the Navy is in a strong position"

By Dan Morgan
Washington Post Staff Writer

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The interagency critique of the CIA memo was reviewed last week by State Department counselor James L. Buckley and sent to the National Security Council. NSC officials, however, declined to discuss the matter yesterday.

The CIA analysis, based on information as of Aug. 6, expresses the view that Moscow has "a wide range of options" to accomplish its goal of increasing natural gas deliveries to Western Europe, including the following:

- "Deliveries could begin in late 1984, as scheduled, by using existing pipelines, which have excess capacity of at least 6 billion cubic meters annually."
- "Using some combination of Soviet and West European equipment, deliveries through the new export pipeline could probably begin in late 1985 and reach nearly full volume in 1987—about one year later than if the sanctions had not been imposed."
- "At substantial cost to the domestic economy, the U.S.S.R. could divert construction crews and compressor station equipment from new domestic pipelines to the export pipeline, or even dedicate a domestic pipeline for export use to ensure capacity adequate to meet contractual delivery obligations."

Only this last choice of relying primarily on their own resources would cause the Soviets much dif-

See CIA, A16, Col. 5

By Lou Cannon
Washington Post Staff Writer

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While the officials said the administration has set its course of action, White House deputy press secretary Larry Speakes told reporters here during Reagan's California vacation:

"No final decisions have been made. . . . The president has given some direction, but I think we will wait until the shipping takes place and at that time we will make a final judgment about the type of penalties we could impose."

The administration imposed sanctions last week against two French firms—one a subsidiary of Dresser Industries of Dallas—after Dresser France shipped three natural gas compressors to the Soviet Union for use on the pipeline.

Dresser France and [illegible], a French [illegible] industrial giant, were prohibited from importing U.S. [illegible] or technology until further notice.

Because [illegible] Dresser of Dallas has [illegible] Dresser France [illegible] technology, [illegible] decided to impose [illegible] John Brown would be [illegible]. But they would be significantly less damaging to the more diversified British firm.

Administration officials here and in Washington acknowledged that sanctions that hurt John Brown less than Dresser and the French firms

See PIPELINE, A17, Col. 1

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CIA Memo Says Soviets Will Supply Gas on Time

CIA, From A1

ficulty, the memo said. It could force Moscow to cut back its domestic pipeline construction program, forcing a reduction of domestic gas deliveries by as much as 30 billion cubic meters a year.

That possibility has faded in the last few days as French and British companies have loaded key pipeline components on Soviet-bound freighters in defiance of President Reagan's order June 15 forbidding foreign firms utilizing U.S. licenses from delivering the equipment. But European governments have unanimously rejected these controls and ordered their firms to proceed with deliveries.

The practical problem facing the administration is that enough U.S.-built equipment is in Europe to allow European firms to ship the Soviets as many as 23 complete turbines of the 125 ordered.

By obtaining these turbines and operating compressor stations with standby units, the CIA evaluation concluded, "Moscow could deliver through the new pipeline about three-fifths of the planned annual throughput of nearly 30 billion cubic meters."

And if the French firm Alsthom-Atlantique supplies an additional 40 turbines, using General Electric technology, "[It] could boost throughput to nearly 90 percent of capacity."

This pessimistic analysis of the sanctions' impact is in line with that of some other specialists in the field.

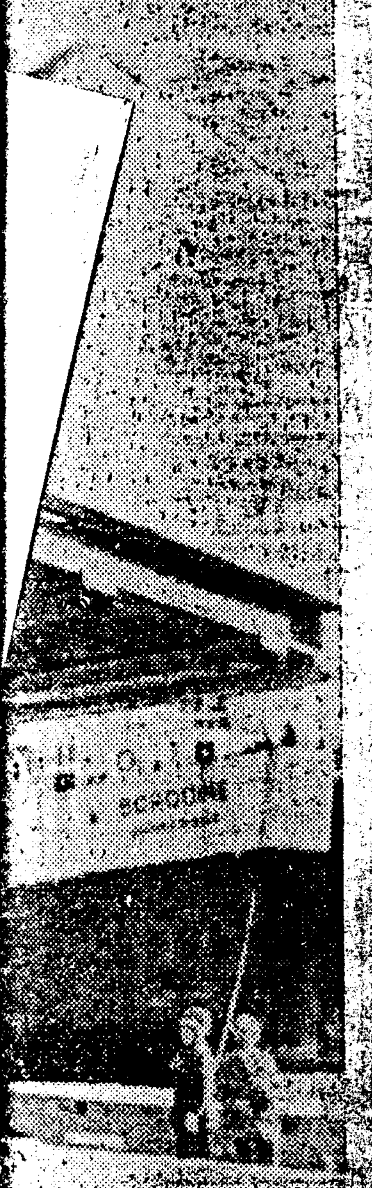
Last July 30, Edward A. Hewett, senior economist at the Brookings Institution, told the Senate subcommittee on international economic policy: "It is unlikely that the U.S. embargo will in itself be responsible for significant delays in the construction of the Soviet-West European line and the deliveries of gas through it."

Nevertheless, critics of the CIA analysis inside the administration charge that the memo vastly underestimates the disruption and financial hardship caused by the sanctions on a hard-pressed Soviet economy.

They contend, for example, that the memo fails to take into account Soviet plans to construct a second export pipeline, utilizing western technology, equipment and financing.

This pipeline will push Soviet earnings from natural gas sales far above the $5 billion a year that the CIA evaluators foresee in the early 1990s, these critics contend. Combined with inflation and a growth in real world energy costs over the next decade, these energy projects could multiply Soviet earnings from natural gas sales many times.

Thus, critics of the analysis argue, denial of U.S. technology and equipment ultimately will deprive the Kremlin of tens of billions of dollars annually and of the ability to divert resources to military modernization and foreign adventures and force it to reform and liberalize its economy.



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...t is unloaded from a French freight-
...ral shipped from Le Havre, France.